

CALIFORNIA EMPLOYER

Third Quarter 2003

A note from EDD's Director and California's Insurance Commissioner:

Workers' compensation insurers should be state-authorized

With the current transition of the workers' compensation market in California, fraud may be on the rise.

To avoid falling victim to bogus workers' compensation insurance, you should be cautious of offers for inexpensive coverage at rates that appear too good to be true.

If your workers' compensation insurer is not authorized by the State of California, you may be subject to hefty fines and

your business may be subject to closure until authorized coverage is obtained.



To verify that your workers' compensation insurer is authorized by the State of California, call the state Department of Insurance's hotline at 1-800-927-HELP (1-800-927-4357), or access their Web site at www.insurance.ca.gov.

For more information on workers' compensation, visit the Department of

Industrial Relations (DIR) Web site at www.dir.ca.gov, or call their toll-free 24-hour information and assistance line at 1-800-736-7401.

An informational guide for employers about obtaining workers' compensation coverage also can be downloaded from the DIR Web site at www.dir.ca.gov/DWC/erguide.pdf.

Michael S. Bernick
John Garamendi

Always review your Statement of Charges to Reserve Account

In October, you will receive your annual *Statement of Charges to Reserve Account* (DE 428T) in the mail.

This statement is an itemized list of charges to your reserve account resulting from Unemployment Insurance (UI) benefits paid to your former employees during the previous fiscal year (July 1, 2002, through June 30, 2003).

It is important that you review this statement because your UI rate may increase based on the charges to your reserve account, which is a nonmonetary book account used to determine your UI tax rate.

If you do not agree with a charge noted on your statement, you have 60 days from the DE 428T "mail date" noted on the top right to file a written protest.



(An additional 60 days may be granted with good cause.)

For further information, please refer to the *Explanation and Instruction Sheet* (DE 428C) included with the DE 428T, or call our Contribution Rate Group at (916) 653-7795.

The instruction sheet also may be downloaded from our Web site at www.edd.ca.gov/taxrep/de428c.pdf.

Help level the playing field – combat the underground economy

Businesses that are operating in the underground economy gain an unfair advantage over businesses that comply with tax and licensing laws. In turn, this causes unfair competition in the marketplace and forces law-abiding businesses like yours to pay higher taxes.



By dealing in cash and/or using other illegal schemes, individuals and businesses in the underground economy conceal their activities and tax liability from government licensing, regulatory, and tax agencies.

The underground economy is also known as tax evasion, tax fraud, cash pay, tax gap, payments under-the-table, and off-the-books.

The EDD's Tax Branch is charged with investigating businesses that avoid paying payroll taxes. To accomplish this, our Underground Economy Operations (UEO) staff work throughout California to identify these illegal activities in order to protect workers and create a level playing field for all businesses.

In 2002, UEO investigations resulted in 1,213 audits that identified 23,416

unreported workers earning over \$335 million in unreported wages. These audits established more than \$41.4 million in payroll tax assessments.

You can help us combat the underground economy by reporting any business that is not paying their payroll taxes to our UEO program at:

- 1-800-528-1783 (toll-free hotline)
- ueo@edd.ca.gov (e-mail)
- (916) 464-1020 (fax)

To learn more about the UEO program, visit our Web site at www.edd.ca.gov/taxrep/txueoind.htm.

You are invited to attend a business fair

Business owners are invited to attend one of the upcoming Small Business Fairs offering informational booths and workshops on federal, state, and local tax and business requirements.

These business fairs are free, but we recommend reservations if you plan

to attend a workshop. For reservations, contact the fair you will attend.

If you would like additional information on upcoming fairs, visit the State Board of Equalization Web site at www.boe.ca.gov/sutax/tpsched.htm.

Small Business Fairs

■ Orange County

CSU, Fullerton, Titan Student Union
September 26, 8:30 a.m. – 3:30 p.m.
Call: (949) 461-5732
E-mail: octaxday@boe.ca.gov

■ Stockton

Radisson Hotel
October 23, 8:30 a.m. – 3 p.m.
Call: (209) 469-7484
E-mail: cvtaxday@boe.ca.gov

■ Ventura

Radisson Hotel, Oxnard
October 7, 8 a.m. – 3 p.m.
Call: (805) 677-2771
E-mail: ventxday@boe.ca.gov

■ Van Nuys

Airtel Plaza Hotel
November 5, 8:30 a.m. – 3 p.m.
Call: (818) 901-5690
E-mail: vntaxday@boe.ca.gov

Disability Insurance claim form revision

To conform to the new Health Insurance Portability and Accountability Act (HIPAA), the *Claim for State Disability Insurance (SDI) Benefits* (DE 2501) form has been revised.



Any SDI claim forms printed prior to Revision 72 do not contain an authorization for HIPAA, which became effective April 14, 2003. This authorization allows medical providers and others

to release to EDD facts under their control concerning a disability.

If you have any DE 2501 forms with a prior revision, please replace these with either Revision 72 or 73 to avoid any delays in claim processing.

To obtain an updated DE 2501, please visit our Web site at www.edd.ca.gov/direp/dipub.htm#Forms or call us at 1-800-480-3287.

Do you know your deposit schedule?

Do you know if you are required to make a deposit according to your federal deposit schedule?



If your federal deposit schedule is Semiweekly or Monthly, and you have withheld over \$500 in

Personal Income Tax (PIT), then you need to make a deposit of PIT and State Disability Insurance (SDI) by your deposit due date.

If your federal deposit schedule is Semiweekly or Monthly, and you have accumulated PIT withholdings of \$500 or less, you are *not* required to make a

deposit. However, if you wish to make a voluntary deposit, mark the "payment type" as "quarterly" and enter the last day of the quarter in the "Payroll Date" field on your deposit coupon.

Please note that if you are a Quarterly depositor and have accumulated \$350 or more in PIT withholdings, then you need to make the deposit by the 15th of the following month.

If you have questions about completing your DE 88, please visit our Web site at www.edd.ca.gov/taxrep/taxpay.htm or contact us at 1-888-745-3886.

Deposit requirements to note for 2004

The California Personal Income Tax (PIT) deposit threshold will remain at \$500 for 2004. Employers who meet federal deposit requirements and also meet the California PIT threshold of \$500 must remit both State Disability Insurance (SDI) and PIT withholdings to EDD on the *Payroll Tax Deposit* (DE 88) coupon.

Your California deposits are generally due at the same time as your federal deposits. The PIT threshold for employers who deposit quarterly remains at \$350. For more information, please refer to the *California Employer's Guide* (DE 44), visit our Web site at www.edd.ca.gov, or contact us at 1-888-745-3886.

Posting requirements for employers

As an employer, you are required by California and federal regulations to display various posters and notices to inform your employees of employment and working condition regulations. To view a list of the poster and notice requirements, please visit the California Tax Information Center Web site at www.taxes.ca.gov/postingreqbus.html.

CALIFORNIA EMPLOYER



This newsletter is published quarterly by the State Employment Development Department of the California Labor and Workforce Development Agency, and is distributed with tax forms to all employers who are subject to the provisions of the California Unemployment Insurance Code.

The EDD is a recipient of federal and state funds, is an equal opportunity employer/program, and is in compliance with Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. Special requests for alternate formats need to be made by calling (916) 654-7079.

Governor: Gray Davis
Undersecretary and Acting Secretary:
Herb K. Schultz
EDD Director: Michael S. Bernick
Employment Development Department
P.O. Box 826880
Sacramento, CA 94280-0001

Produced by the EDD Office of Marketing and Constituent Services, MIC 84
Loree Levy, Deputy Director
Kevin M. Callori, Editor

Third Quarter 2003

Vol. 56, No. 3